

This document is the translation version of 「第 24 期定時株主総会招集ご通知」 (“NOTICE OF THE 24<sup>th</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS”) which is originally written in Japanese. This document is intended for reference purposes only. In the event of any discrepancy between this translation and the original Japanese document, the original shall prevail. OSAKA Titanium technologies Co., Ltd. (hereinafter “the Company” assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from this translation.

**Dear Shareholders,**

We would like to express our sincere gratitude to all our shareholders for their continued support. Also, we would like to extend our deepest condolences to all those who have lost their lives due to the recent outbreak of COVID-19 infection, and we sincerely hope that those who have been affected will soon recover.

In the midst of the economic slowdown from the previous fiscal year due to the trade friction between the United States and China, our country and the world economy temporarily fell into a critical situation in the current fiscal year deeply impacted by COVID-19 spreading worldwide. In particular, there has been a marked decline in air passenger demand. Although there are signs of a recovery, the demand for aircraft is still very low.

Sales in the High-Performance Materials business increased due to higher demand for high-purity titanium and other related products as the semiconductor market recovered. However, sales in the Titanium business--our flagship operation--fell sharply due to the severe business environment for aircraft. As a result, the Company posted a loss for the year.

In order to cope with the declining demand for titanium, we have achieved an optimal production. In addition, we are making company-wide efforts to rationalise production by improving production parameters, reducing labour costs and equipment repair costs, and cutting other expenditures. We will continue to consolidate our business foundation in a challenging business environment.

In addition, we will strive to transform our business portfolio by expanding our high-performance materials business, focusing on high value-added products such as high-purity titanium and spherical titanium alloy powder (alloy TILOP), in order to consolidate our future growth strategy and profit structure.

In the light of the current situation, including the profit and loss for the current fiscal year, we regret to announce that we will forgo a dividend. We sincerely apologise to our shareholders and will make every effort to resume dividend payments at the earliest time.

**Yasuaki Sugizaki**  
**Representative Director,**  
**Member of the Board & President**

**To Shareholders with Voting Rights:**

Yasuaki Sugizaki  
Representative Director,  
Member of the Board & President  
OSAKA Titanium technologies Co., Ltd.  
1 Higashihama-cho,  
Amagasaki, Hyogo, Japan

**NOTICE OF  
THE 24<sup>th</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Notice is hereby given that the 24<sup>th</sup> Annual General Meeting of Shareholders of OSAKA Titanium technologies Co., Ltd. (the “Company”) will be held as follows:

**In order to prevent the spread of COVID-19 infection, please exercise your voting rights in advance by mailing the enclosed voting form or online by the internet, and refrain from coming to the meeting on site as much as possible. Please review the enclosed Reference Documents for the Annual General Meeting of Shareholders and exercise your voting rights.**

- 1. Date and Time:** Friday, 18 June, 2021 at 10 a.m. Japan time (Reception will open at 9 a.m.)
- 2. Place:** Amagasaki Chamber of Commerce, Conference Room 701, 7th floor  
3-96 Showa Dori, Amagasaki, Hyogo, Japan
- 3. Meeting Agenda:**
  - Matters to be reported:** The Business Report and Financial Statements for the 24<sup>th</sup> Term  
(Fiscal Year ending 31 March, 2021)
  - Matters to be resolved:**
    - Matter No. 1:** Appointment of Six (6) Directors, Members of the Board
    - Matter No. 2:** Appointment of Two (2) Audit & Supervisory Board Members

The Business Report and Financial Statements are attached.

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Notes:

If revisions are made to the Reference Documents for the Annual General Meeting of Shareholders or the Business Report by the day before the Annual General Meeting, the amended version will be posted on the Company’s website ([https://www.osaka-ti.co.jp/e/e\\_ir/general\\_meeting.html](https://www.osaka-ti.co.jp/e/e_ir/general_meeting.html)).

## Reference Documents for the Annual General Meeting of Shareholders

### Matters to be resolved and References

#### No.1 Matter to be resolved: Appointment of Six (6) Directors, Members of the Board

The term of office for all Directors, Members of the Board, will expire at the close of this Annual General Meeting of Shareholders. Accordingly, the appointment of Six (6) Directors, Members of the Board, is proposed.

The candidates for Directors, Members of the Board, are as follows:

Candidate No.	Name	Current Position and Responsibilities at the Company
1	Yasuaki Sugizaki <span style="border: 1px solid black; padding: 2px;">Reappointed</span>	Representative Director, Member of the Board & President
2	Satoru Takahashi <span style="border: 1px solid black; padding: 2px;">Reappointed</span>	Director, Member of the Board & Senior Managing Executive Officer Oversees Corporate Planning, General Affairs, Human Resources, Safety and Health, Finance and Accounting and Raw Materials and Purchasing Departments
3	Masayuki Tsuji <span style="border: 1px solid black; padding: 2px;">Reappointed</span>	Director, Member of the Board & Senior Managing Executive Officer Oversees Sales & Marketing, High-Performance Materials Departments, General Manager of Tokyo Office
4	Junji Kawafuku <span style="border: 1px solid black; padding: 2px;">Reappointed</span>	Managing Executive Officer Oversees Production Control, Quality Assurance, Technology, Facilities and Titanium Manufacturing
5	Nae Iijima <span style="border: 1px solid black; padding: 2px;">Reappointed</span> <span style="border: 1px solid black; padding: 2px;">Outside</span> <span style="border: 1px solid black; padding: 2px;">Independent</span>	Outside Director, Member of the Board
6	Shigehisa Yamaguchi <span style="border: 1px solid black; padding: 2px;">Reappointed</span> <span style="border: 1px solid black; padding: 2px;">Outside</span> <span style="border: 1px solid black; padding: 2px;">Independent</span>	Outside Director, Member of the Board

Candidate No.	Name (Date of Birth)	Personal History, Positions & Responsibilities, and Important Concurrent Positions	Number of Shares held in the Company
1	Yasuaki Sugizaki (17 May, 1957)  <u>Reappointed</u>	<p>April 1988 Joined Kobe Steel, Ltd.</p> <p>April 2011 Executive Officer, General Manager of Research &amp; Development Planning Department, Technical Development Group, Kobe Steel, Ltd.</p> <p>April 2013 Managing Executive Officer, General Manager of Technical Development Group, Kobe Steel, Ltd.</p> <p>June 2014 Managing Director, General Manager of Technical Development Group, Kobe Steel, Ltd.</p> <p>April 2015 Senior Managing Director, Kobe Steel, Ltd.</p> <p>April 2016 Director, Senior Managing Executive Officer, Assistant to the President, Kobe Steel, Ltd.</p> <p>April 2016 Corporate Adviser, the Company</p> <p>June 2016 Representative Director, Member of the Board &amp; President, ditto (to present)</p>	9,300 shares
<p><b>Reasons for Appointment as Director:</b>  He has been re-appointed as a candidate for Director because he has been working to enhance the corporate value of the Company as the Representative Director, Member of the Board &amp; President, and because he has been demonstrating strong leadership in building a strong corporate structure for the future of the Company. In particular, he has been involved in the restoration of the profitability of our Titanium business and the transformation of our business portfolio.</p>			

Candidate No.	Name (Date of Birth)	Personal History, Positions & Responsibilities, and Important Concurrent Positions	Number of Shares held in the Company
2	Satoru Takahashi (7 January, 1960)  <u>Reappointed</u>	April 1982    Joined Sumitomo Metal Industries, Ltd. (currently NIPPON STEEL CORPORATION)  April 2011    Department Manager of Production Control and Purchasing Department, the Company  June 2012    General Manager of Raw Materials Department, ditto June 2015    Executive Officer, General Manager of Raw Materials Department, ditto  April 2017    Executive Officer, General Manager of Corporate Planning Department, ditto  April 2018    Managing Executive Officer, ditto June 2018    Director, Member of the Board, Managing Executive Officer, ditto  April 2019    Director, Member of the Board, Senior Managing Executive Officer, ditto  April 2021    Director, Member of the Board, Senior Managing Executive Officer, General Manager of Corporate Planning Department, ditto  May 2021    Director, Member of the Board, Senior Managing Executive Officer, ditto (to present)  <b>Responsibilities</b> Oversees Corporate Planning, General Affairs, Human Resources, Safety and Health, Finance and Accounting and Raw Materials and Purchasing Departments	5,300 shares
<b>Reasons for Appointment as Director:</b> He has been re-appointed as a candidate for Director because he has a wealth of experience and a wide range of insights in accounting, corporate planning and raw materials business, and because he has played an important role of top executive in the Finance as well as in the Human Resources and General Affairs Departments, thus enhancing the Company's corporate governance and contributing to the improvement of corporate value of the Company.			

Candidate No.	Name (Date of Birth)	Personal History, Positions & Responsibilities, and Important Concurrent Positions	Number of Shares held in the Company
3	Masayuki Tsuji (13 May, 1958)  <u>Reappointed</u>	<p>April 1982    Joined the Company</p> <p>July 2006    Department Manager of Sales and Marketing Department, ditto</p> <p>June 2008    General Manager of Sales and Marketing Department, ditto</p> <p>June 2015    Executive Officer, General Manager of Sales and Marketing Department, ditto</p> <p>July 2017    Executive Officer, ditto</p> <p>April 2018    Managing Executive Officer, ditto</p> <p>April 2019    Managing Executive Officer, General Manager of Tokyo Office, ditto</p> <p>June 2019    Director, Member of the Board, General Managing Executive Officer, General Manager of Tokyo Office, ditto</p> <p>April 2020    Director, Member of the Board, Senior Managing Executive Officer, General Manager of Tokyo Office, ditto (to present)</p> <p><b>Responsibilities</b> Oversees Sales and Marketing and High-performance Materials Departments, General Manager of Tokyo Office</p>	12,600 shares
<p><b>Reasons for Appointment as Director:</b> He has been re-appointed as a candidate for Director because he has many years of experience in the sales division, taking a leadership role in developing sales strategies to meet the growing demand for titanium by developing long-term relationships with customers in Japan and overseas, thus making a significant contribution to expanding sales of titanium sponge. At present, he takes charge of the sales division of the Company as a whole, not only our Titanium segment but also including our High-Performance Materials segment. All these achievements of his would lead to the enhancement of the Company's corporate value.</p>			

Candidate No.	Name (Date of Birth)	Personal History, Positions & Responsibilities, and Important Concurrent Positions	Number of Shares held in the Company
4	Junji Kawafuku (1 April, 1960)  <u>Reappointed</u>	April 1985    Joined Kobe Steel, Ltd. April 2010    Manager of Titanium Plant and Head of Plant Control department, Titanium Division, Iron & Steel business, Kobe Steel, Ltd.  April 2013    Head of Titanium Division, Iron & Steel business, Kobe Steel, Ltd. April 2014    Senior General Manager, Head of Titanium Division, Iron & Steel business, Kobe Steel, Ltd. April 2018    Senior General Manager, Assistant Executive Officer of Titanium Division, Iron & Steel business, Kobe Steel, Ltd.  April 2020    Managing Executive Officer, the Company June 2020    Director, Member of the Board, Managing Executive Officer, the Company (to present)  <b>Responsibilities</b> Oversees Production Control, Quality Assurance, Technology, Facilities and Titanium Manufacturing	1,000 shares
<b>Reasons for Appointment as Director:</b> He has been re-appointed as a candidate for Director because he has contributed to the enhancement of the Company's corporate value by leading the manufacturing and engineering divisions of the Company with his broad insight and management skills. He held several important positions in the Titanium Division at Kobe Steel, Ltd.			

Candidate No.	Name (Date of Birth)	Personal History, Positions & Responsibilities, and Important Concurrent Positions		
5	Nae Iijima (11 April, 1964)  [Reappointed]  [Candidate for Outside Director, Member of the Board]  [Candidate for Independent Director/Auditor]	April 1994	Registered as Attorney-at-Law Joined Dojima Law Office	Number of Shares held in the Company: 0 shares  Term of office as Outside Director, Member of the Board (at the close of AGM): 6 years  Attendance at Board of Directors (FY2020): 11/12 (92%)
		October 2001	Joined Kirkland & Ellis LLP, Washington, D.C., USA	
		January 2002	Registered as Attorney-at-Law in New York State Bar Association	
		September 2002	Returned to Dojima Law Office (to present)	
		June 2003	Outside Audit and supervisory committee member NAVITAS Co., LTD.	
		April 2013	Visiting Professor, Kyoto University Law School	
		June 2015	Outside Director, Member of the Board, the Company (to present)	
		June 2016	Outside Director, Member of the Board, Audit committee member, NAVITAS Co., LTD.	
	April 2019	Vice president, the Osaka Bar Association		
<p><b>Reasons for Appointment as Outside Director, Member of the Board, and expected roles:</b>  She has been re-appointed as a candidate for Outside Director because she can be expected to continue to provide appropriate advice to the Company and supervise the execution of business from the perspective of legal risk and compliance with the law, based on her knowledge and experience as a legal professional. Although she has no experience of being involved in the management of a company other than as an outside director, she has performed appropriately her duties by supervising the execution of business from an independent standpoint by applying her expertise and broad insight cultivated as a legal professional.</p>				
<p><b>Special Notes on the candidate as Outside Director:</b>  (1) She is a candidate for Outside Director, Member of the Board, and has been registered as an Independent Director to Tokyo Stock Exchange, Inc. If this appointment is approved and she becomes an Outside Director, Member of the Board, she will continue to serve as an Independent Director.  (2) The Company entered into an agreement with her to limit her liability for damages to the amount stipulated in Article 425, paragraph 1 of the Companies Act. If this appointment is approved and she becomes an Outside Director, Member of the Board, the Company intends to maintain the said agreement.</p>				

**(Reference) Outline of the Criteria for determining the Independence of Independent Directors/Auditors**

The Company has established criteria for determining the independence of Independent Directors/Auditors, based on the independence standards set by Tokyo Stock Exchange, Inc. Its summary is given below. For more information, please visit our website at <https://www.osaka-ti.co.jp/ir/pdf/cg.pdf>. (In Japanese only)

In order to be considered independent, an outside Director or outside Audit & Supervisory Board Member of the Company must not fall under any of the following categories.

- 1) Spouse or relatives within the second degree of kinship to Directors, Members of the Board, or important employees of the Company
- 2) Major shareholders of the Company
- 3) Directors or officers, or employees of the Company's major shareholders or lenders
- 4) Main clients of the Company or their managing officers
- 5) Those who have received payments, donations or grants from the Company in excess of a certain amount
- 6) Those who have fallen under any of the above (2) to (5) in the past 5 years
- 7) Those whose spouse or relatives within the second degree of kinship fall into any of the above categories (2) to (5)



Candidate No.	Name (Date of Birth)	Personal History, Positions & Responsibilities, and Important Concurrent Positions	
6	Shigehisa Yamaguchi (11 June, 1952)  [Reappointed]  [Candidate for Outside Director, Member of the Board]  [Candidate for Independent Director/Auditor]	<p>April 1975 Joined Anritsu Electric Co., Ltd. (currently Anritsu Corporation)</p> <p>June 1999 General Manager of Sales Department No. 2, Overseas Sales Division No. 1, Anritsu Corporation</p> <p>July 2002 General Manager of Global Marketing Division, Anritsu Corporation</p> <p>April 2003 Executive Officer, General Manager of Global Business Division, Anritsu Corporation</p> <p>June 2003 Director, Member of the Board, Executive Officer, General Manager of Global Business Division, Anritsu Corporation</p> <p>April 2007 Director, Member of the Board, Managing Executive Officer, General Manager of Global Business Division, Anritsu Corporation</p> <p>April 2008 Director, Member of the Board, Managing Executive Officer, General Manager of Sales and CRM Group, Anritsu Corporation</p> <p>April 2010 Director, Member of the Board, Managing Executive Officer, General Manager of Corporate Planning Office, Anritsu Corporation</p> <p>April 2011 Director, Member of the Board, Anritsu Corporation</p> <p>June 2011 Audit &amp; Supervisory Board Member, Anritsu Corporation</p> <p>June 2020 Director, Member of the Board, the Company (to present)</p>	<p>Number of Shares held in the Company: 0 shares</p> <p>Term of office as Outside Director, Member of the Board (at the close of AGM): 1 years</p> <p>Attendance at Board of Directors (FY2020): 9/9 (100%)</p>
<p><b>Reasons for Appointment as Outside Director, Member of the Board, and expected roles:</b>  He has been re-appointed as a candidate for Outside Director because he can be expected to continue to provide appropriate advice to the Company and supervise the execution of business based on the knowledge and experience he has cultivated through his wide range of work experience, including management experience. He has a high level of insight and a wealth of experience as a management executive, having held key positions in overseas business, corporate planning and other departments at Anritsu Corporation in Japan, and he also has deep knowledge of corporate governance, having served as a corporate auditor at Anritsu Corporation. He has used his knowledge and experience to supervise the execution of business from an independent standpoint and has performed his duties appropriately.</p>			
<p><b>Special notes on the candidate as Outside Director:</b></p> <p>(1) He is a candidate for Outside Director, Member of the Board, and has been registered as an Independent Director to Tokyo Stock Exchange, Inc. If this appointment is approved and he becomes an Outside Director, Member of the Board, he will continue to serve as an Independent Director.</p> <p>(2) The Company entered into an agreement with him to limit his liability for damages to the amount stipulated in Article 425, paragraph 1 of the Companies Act. If this appointment is approved and he becomes an Outside Director, Member of the Board, the Company intends to maintain the said agreement.</p>			

(Notes)

1. There are no special interests between each candidate and the Company.
2. The Company has entered into a liability insurance contract with an insurance company for all Directors, Member of the Board, and Audit & Supervisory Board Members as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The insurance policy shall cover any loss that may arise as a result of an insured Director being held liable for the performance of his or her duties or being subject to a claim in respect of such liability. In the event that each candidate is appointed as a director, he or she will become an insured person under the relevant insurance policy and the policy will be renewed during the term of office.

## No. 2 Matter to be resolved: Appointment of two (2) Audit & Supervisory Board Members

At the close of this Annual General Meeting of Shareholders, Audit & Supervisory Board Member Masayuki Okano will resign, and another Audit & Supervisory Board Member Fumio Sugizaki's term of office will expire. We therefore propose the appointment of two (2) Audit & Supervisory Board Members.

The consent of the Audit & Supervisory Board has also been obtained for this proposal. The candidates for the position of Audit & Supervisory Board are as follows:

Candidate No.	Name (Date of Birth)	Personal History, Positions & Responsibilities, and Important Concurrent Positions	Number of Shares held in the Company:
1	Nobuhide Shimamoto (3 January, 1960)  [Newly- appointed]  [Candidate for Audit & Supervisory Board Member]	<p>April 1982      Joined Sumitomo Metal Industries, Ltd. (currently NIPPON STEEL CORPORATION)</p> <p>April 2009      Department Manager of Accounting Department, the Company, ditto</p> <p>October 2012    General Manager of Finance and Accounting Department, the Company</p> <p>July 2013        General Manager (,Head of Dep.) of Finance and Accounting Department, the Company</p> <p>July 2015        General Manager of the company, the Company</p> <p>April 2016        Executive Officer, the Company</p> <p>August 2016     Executive Officer, General Manager of Finance and Accounting Department, the Company</p> <p>April 2018        Executive Officer, General Manager of Corporate Planning Department, the Company</p> <p>April 2019        Managing Executive Officer, General Manager of Corporate Planning Department, the Company</p> <p>November 2019  Managing Executive Officer, General Manager of Corporate Planning Department, General Manager of Finance and Accounting Department, the Company</p> <p>April 2021        Corporate Adviser (to present)</p>	4,100 shares
<p><b>Reasons for Appointment as Audit &amp; Supervisory Board Member:</b>  He has been appointed as a candidate for Audit &amp; Supervisory Board Member because we believe that he will be able to appropriately perform his duties by reflecting his accumulated knowledge and experience in the Company's auditing operations. He has been engaged in financial and accounting matters for many years and has sufficient knowledge and experience in this field. After assuming the position of Executive Officer at the Company, he was in charge of the Corporate Planning Department as well as the Accounting Department, thus he is familiar with the Company's business.</p>			

Candidate No.	Name (Date of Birth)	Personal History, Positions & Responsibilities, and Important Concurrent Positions	Number of Shares held in the Company:
2	Masashi Murata (19 March, 1958)  [Candidate for Outside Audit & Supervisory Board Member]  [Candidate for Independent Director/Auditor]	<p>April 1983      Joined Asahi Glass Co., Ltd. (currently AGC Inc.)</p> <p>March 1995      Group Leader of Marketing Group, Electronic business, Asahi Glass Co., Ltd.</p> <p>August 1998      General Manager, Office of the President, Santen Pharmaceutical Co., Ltd.</p> <p>September 2001      General Manager, Strategic Planning Group, Sales &amp; Marketing Division, Prescription Pharmaceuticals, Santen Pharmaceutical Co., Ltd.</p> <p>July 2002      General Manager, Ophthalmic Marketing Group, Sales &amp; Marketing Division, Prescription Pharmaceuticals, Santen Pharmaceutical Co., Ltd.</p> <p>January 2005      General Manager, Strategic Planning &amp; Controlling Group, Sales &amp; Marketing Division, Prescription Pharmaceuticals, Santen Pharmaceutical Co., Ltd.</p> <p>April 2007      General Manager, Corporate Planning Group, Santen Pharmaceutical Co., Ltd.</p> <p>July 2011      Santen Inc. CAO(Chief Administrative Officer)</p> <p>January 2014      General Manager, Office of Corporate Auditors, Santen Pharmaceutical Co., Ltd.</p> <p>June 2016      Corporate Auditor, Santen Pharmaceutical Co., Ltd.</p> <p>June 2020      Senior Advisor, Santen Pharmaceutical Co., Ltd. (to present)</p> <p>June 2021      Outside Directors, TOA Corporation (to be appointed)</p>	0 shares
	<b>Reasons for Appointment as Outside Audit &amp; Supervisory Board Member:</b> He has been appointed as a candidate for Outside Audit & Supervisory Board Member because we believe that he will be able to appropriately perform his duties by reflecting the knowledge and experience he has gained through his wide range of work experience in the Company's auditing operations from an independent standpoint. He has a wealth of knowledge and experience in a wide range of fields including corporate planning, business planning and marketing at Santen Pharmaceutical Co., Ltd. and has deep knowledge of corporate governance through his experience as an auditor at Santen Pharmaceutical Co., Ltd.		
	<b>Special notes on the candidate as Outside Audit &amp; Supervisory Board Member:</b> (1) He is a candidate for Outside Audit & Supervisory Board Member. If this appointment is approved and he is appointed as Outside Audit & Supervisory Board Member, we plan to register him as an Independent Auditor with the Tokyo Stock Exchange, Inc. (2) In the event that this appointment is approved, and he assumes the office of Outside Audit & Supervisory Board Member, the Company will enter into a liability limitation agreement with him to limit his liability to the amount stipulated in Article 425, Paragraph 1 of the Companies Act		

**(Notes)**

- There are no special interests between each candidate and the Company.
- The Company has entered into a liability insurance contract with an insurance company for all Directors, Member of the Board, and Audit & Supervisory Board Members as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The insurance policy shall cover any loss that may arise as a result of an insured Director being held liable for the performance of his or her duties or being subject to a claim in respect of such liability. In the event that each candidate is appointed as a director, he or she will become an insured person under the relevant insurance policy and the policy will be renewed during the term of office.

# Business Report (Fiscal Year ending 31 March, 2021)

## 1. Company Overview

### (1) Business Progress and Results

During the year under review, the Japanese and overseas economies faced severe conditions, including stagnant economic activity and weak consumer spending, due to the impact of the global outbreak of COVID-19 infection. Although there are some signs of improvement in the global economy, such as a recovery in consumer spending as a result of the effects of various governments policies and higher vaccination rates in Europe and the United States, the outlook remains uncertain due to the lagging nature of different sectors and the risk of a resurgence of infection caused by mutated strains

In our Titanium business, export sales of titanium sponge, mainly for aerospace applications, fell 60.3% year-on-year while domestic sales of titanium sponge, mainly for general industrial applications (non-aerospace), declined 58.5% year-on-year. As a result, the Titanium business posted sales of ¥14,304 million (down 59.7% year-on-year).

In our High-Performance Materials business, sales increased by 24.9% year-on-year to ¥2,457 million, mainly due to higher sales of high-purity titanium for sputtering targets as a result of increased semiconductor-related demand.

Sales from the sale of the remaining inventory of the Polysilicon business, from which we withdrew, amounted to ¥291 million.

As a result of the above, sales for the year under review amounted to ¥17,053 million (-55.3% year-on-year).

In terms of profit and loss, the decrease in sales volume in the Titanium business and the consequent reduction in titanium sponge production had a major impact. This was in spite of company-wide measures to improve profitability, including improvements in production parameters, reductions in labour and equipment repair costs, and other cost-cutting measures. Despite our efforts to improve profitability, the Company recorded an operating loss of ¥3,425 million (compared with a profit of ¥1,152 million in the same period last year), an ordinary loss of ¥2,843 million (compared with a profit of ¥1,322 million in the same period last year) and a net loss of ¥5,083 million (compared with a profit of ¥736 million in the same period last year).

Under these circumstances, the Company set up a commitment line of ¥5,100 million in March of the current financial year to secure flexible financing to maintain stable and continuous corporate activities. In order to secure long-term stable funds, the Company

refinanced a syndicated loan of ¥7,000 million.

Effective from the current fiscal year, a portion of product packaging costs, which were previously recorded as selling, general and administrative expenses, are now treated as cost of sales. The analysis is based on retrospectively adjusted figures to reflect this change in accounting policy.

## (2) Capital Investments

Total capital investment in the year under review amounted to ¥2,126 million. This was mainly due to the maintenance and improvement of titanium production facilities.

## (3) Capital Procurement

The funds required for capital investment in the year under review were appropriated from the Company's own funds and borrowings.

## (4) Business Results and Asset Trends

*(Japanese Yen in millions, except per share amounts)*

	FY2017 (21 <sup>st</sup> Term)	FY2018 (22 <sup>nd</sup> Term)	FY2019 (23 <sup>rd</sup> Term)	FY2020 (under review)
Sales	43,431	43,666	38,189	17,053
Ordinary profit (loss)	2,809	2,422	1,322	(2,843)
Net income (loss)	1,857	(1,322)	736	(5,083)
Basic net income (loss) per share	50.47	(35.95)	20.02	(138.15)
Total assets	92,662	80,928	76,518	77,743
Total equity	36,213	34,305	34,921	29,708

### (Notes)

1. Net income (loss) per share is calculated based on the average number of shares outstanding during the period.
2. Changes in accounting policies have been made from the FY2020 (the year under review), and the figures for the FY 2019 (the 23<sup>rd</sup> Term) have been retrospectively adjusted.

## (5) Issues to be Addressed

We withdrew from the polysilicon business in fiscal 2018. Since then, we have placed Titanium business at the core of our "growth strategy" and have been working to "transform our business portfolio" by simultaneously promoting the expansion and growth of new businesses. However, the global spread of COVID-19 has led to a sharp decline in demand for titanium in aerospace applications, and the business environment remains challenging.

In this context of shrinking demand for titanium, we have taken measures to curb expenditure, including personnel measures, and to reduce costs. We will continue to focus on strengthening our earnings structure to improve our performance in the face of low capacity utilisation. We are also working on further measures to improve profitability, such as expanding sales of high-purity titanium products for the semiconductor market, where demand has already recovered and is on the rise.

Our priority at the moment is to cope with the deteriorating business environment caused by COVID-19 infection. However, we expect titanium demand in the aircraft industry to continue to grow over the medium to long term, despite a temporary decline in demand at this stage. Therefore, we are currently maintaining an optimal production preparing for an upward shift in production volume, with a view to capturing sales opportunities when demand recovers.

We will also continue to restrain our expenditure and invest our resources in projects that will contribute to future growth, such as the expansion of the spherical titanium alloy powder (alloy TILOP) business and the commercialisation of SiO anode materials for lithium-ion batteries. We will also continue our efforts to transform our business portfolio. We are working earnestly on measures to improve profitability, based on the following basic principles.

- Strengthening of the company's earnings structure by taking every measure for cost reductions with no sanctuaries, especially reduction in fixed costs, etc.
- Maintaining optimum production to meet demand
- Proactively capturing growth opportunities in the High-Performance Materials business where demand is expected to grow
- Continuous exploration of new business

Our challenges for each business segment are as follows:

### ***1. Titanium Business***

- (i) Maintaining optimum production to meet demand
  - Maintaining a thorough and efficient production while monitoring the timing of demand recovery
- (ii) Keeping a high level of market share by strengthening partnerships with major customers and expanding sales
  - Responding in detail to customer needs by strengthening technical sales capabilities through technical exchanges, etc.
  - Pursuing opportunities to expand sales by strengthening ties with major customers and also finding potential customers

- (iii) Consolidating our profitability
  - Thorough cost reduction by reviewing repair and human resource planning
  - Controlling expenditure by reviewing capital investment plans and strictly prioritising development projects
  - Innovation of production processes and continuous improvement of productivity through the introduction of advanced technologies such as AI
  - Optimisation of selling prices and sales mix to a level that will ensure long-term business sustainability
  - Consolidating low-cost and stable raw materials procurement framework

## **2. *High-Performance Materials Business***

- (i) Expanding High-Purity Titanium business by strengthening customer-response capabilities
  - Developing distinctive products that meet customer needs and developing new demands
  - Deepening partnerships with customers by strengthening technical-sales capabilities
- (ii) Full-scale commercialisation of spherical titanium alloy powder (alloy TILOP)
  - Utilising the new alloy TILOP plant in full force
  - Expanding and enriching a sales promotion team into which combines production, sales, and technology expertise
  - Promoting sales through partnership with customers
  - Further demonstrating our advantage over competitors through continuous process development and product differentiation
  - Creating new demand through collaboration with demand industry
- (iii) Continuous efforts to create “high-quality menus”
  - Accelerating the development of SiO anode materials for lithium-ion batteries and its early commercialisation

## **3. *Company-wide Initiatives***

- (i) Consolidating the cost structure by promoting streamlining efforts
  - Thorough reduction of indirect costs
  - Pursuit of increased productivity and operational efficiency in the back-office sectors by incorporating the use of IT tools
- (ii) Consolidating our technology development capabilities
  - Consolidating the organisational structure dedicated to the advancement of production process technology and collaboration with universities and research institutions
  - Continuously exploring the possibility for new products and businesses
- (iii) Development of human resources

- Handing down skills to the coming generation and fostering technical experts through visualisation and sharing of the experience and know-how of skilled personnel
- Enhancing human resource measures to achieve a systematic training of the coming generation leaders

(iv) Promotion of DX (Digital Transformation)

- Promoting work restructuring through the renewal of core system and its standardisation
- Further stabilising the quality of products and improving the production efficiency by proactive use of accumulated data

**(6) Major Business Operations** (As of 31 March, 2021)

*Titanium Business*

Titanium Sponge, Titanium Ingots, Titanium Tetrachloride, Titanium Tetrachloride Aqueous Solution

*High-Performance Materials Business*

High-Purity Titanium, SiO, TILOP (spherical titanium powder), Titanium Powder

**(7) Major Offices and Plants** (As of 31 March, 2021)

<b>Headquarters / Amagasaki Plant</b>	Amagasaki, Hyogo
<b>Tokyo Office</b>	Minato-ku, Tokyo
<b>Kishiwada Works</b>	Kishiwada, Osaka

**(8) Employees** (As of 31 March, 2021)

Number of Employees	Change from end of the Previous Fiscal Year	Average Age	Average Number of Service Years
684	(14)	42.1	15.0

**(Notes)**

1. The number of employees excludes those employees temporarily transferred out of the Company and includes those employees temporarily transferred into the Company.
2. In addition to the number of employees in 1. above, there are 67 temporary employees (average number of employees during the fiscal year).

**(9) Important Parent Company and Subsidiaries** (As of 31 March, 2021)

Not applicable



**(10) Major Lenders** (As of 31 March, 2021)

*(Japanese Yen in millions)*

Lenders	Balance of Loan
Syndicated Loans	18,500
Sumitomo Mitsui Banking Corporation	1,500
Sumitomo Mitsui Trust Bank, Limited	4,000
The Senshu Ikeda Bank, Ltd.	5,000
Development Bank of Japan Inc.	3,000

(Note) Syndicated loans: co-financing with Sumitomo Mitsui Banking Corporation as a managing bank.

## 2. Status of Shares (As of 31 March, 2021)

(1) **Total Number of Shares authorised to be Issued: 125,760,000 shares**

(2) **Total Number of Shares Issued: 36,800,000 shares**  
(includes 1,336 shares of treasury shares)

(3) **Number of Shareholders: 18,033 persons**

### (4) Top 10 Shareholders

*(Number of shares in thousands, except ratio)*

Name of Shareholder	Number of Shares held	Ratio of Shares held versus Total Number of Shares Issued (%)
Kobe Steel, Ltd.	7,700	20.92
Nippon Steel Corporation	7,150	19.43
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,069	2.91
SUMITOMO CORPORATION	864	2.35
Custody Bank of Japan, Ltd. (Trust Account)	418	1.14
Custody Bank of Japan, Ltd. (Trust Account5)	317	0.86
Custody Bank of Japan, Ltd. (Trust Account6)	279	0.76
Custody Bank of Japan, Ltd. (Trust Account1)	258	0.70
JP MORGAN CHASE BANK 385781	237	0.65
Custody Bank of Japan, Ltd. (Trust Account2)	194	0.53
Total	18,488	50.24

(Note) Figures for ratio of shares held are calculated after excluding treasury share from the total number of shares issued.

## 3. Matters relating to Share Subscription Rights

Not applicable

## 4. Company Officers

### (1) Directors, Member of the Board and Audit & Supervisory Board Members

(As of 31 March, 2021)

Position	Name	Areas of Responsibility in the Company and Important Concurrent Positions
Representative Director, Member of the Board, and President*	Yasuaki Sugizaki	
Director, Member of the Board, and Senior Managing Executive Officer*	Satoru Takahashi	Oversees Corporate Planning, General Affairs, Human Resources, Safety and Health, Finance and Accounting, and Raw Materials and Purchasing
Director, Member of the Board, and Senior Managing Executive Officer*	Masayuki Tsuji	Oversees Sales and Marketing Departments and High-performance Material Manufacturing, General Manager of Tokyo Office
Director, Member of the Board, and Managing Executive Officer*	Junji Kawafuku	Oversees Production Control, Quality Assurance, Technology, Facilities and Titanium Manufacturing
Director, Member of the Board	Nae Iijima	Attorney-at-Law and Partner of Dojima Law Office
Director, Member of the Board	Shigehisa Yamaguchi	—
Audit & Supervisory Board Member (Full Time)	Masayuki Okano	—
Audit & Supervisory Board Member	Koichiro Anzai	General Manager of Group Companies Planning Division, NIPPON STEEL CORPORATION
Audit & Supervisory Board Member	Ryosaku Kadowaki	Executive Officer, Kobe Steel, Ltd.
Audit & Supervisory Board Member	Fumio Sugizaki	—

- (Notes)**
1. Asterisks (\*) indicate titles for Executive Officers.
  2. Director, Member of the Board, Nae Iijima and Shigehisa Yamaguchi are Outside Directors, Member of the Board as stipulated in Article 2, Paragraph 15 of the Companies Act.
  3. Audit & Supervisory Board Members Koichiro Anzai, Ryosaku Kadowaki and Fumio Sugizaki are Outside Audit & Supervisory Board Members as stipulated in Article 2, Paragraph 16 of the Companies Act.
  4. The Company has designated Directors, Members of the Board, Nae Iijima, and Shigehisa Yamaguchi and Audit & Supervisory Board Member Fumio Sugizaki as Independent Director/Auditor as stipulated by the Tokyo Stock Exchange, Inc. and has registered them at the aforementioned Exchange.
  5. Audit & Supervisory Board Member Fumio Sugizaki has many years of experience in operations of accounting and finance at NISSAN MOTOR CO., LTD. and its group of enterprises, and has an adequate level of knowledge in finance and accounting.

6. At the 23<sup>rd</sup> Annual General Meeting of Shareholders held on 25 June, 2020, Junji Kawafuku and Shigehisa Yamaguchi were newly elected as Director, Member of the Board, and Koichiro Anzai and Ryosaku Kadowaki were newly elected as Audit & Supervisory Board Members and assumed their respective positions.
7. As of the closing of the 23<sup>rd</sup> Annual General Meeting of Shareholders held on 25 June, 2020, Directors, Members of the Board Takahisa Miyake and Akira Takamatsu retired upon the expiration of their terms of office and Audit & Supervisory Board Members Satoshi Suzuki and Takahiko Kizawa resigned.
8. The Company established regulations regarding liability limitation agreements with Outside Directors, Member of the Board and Outside Audit & Supervisory Board Members. Based on these Articles of Incorporation, the Company has concluded liability limitation agreements with all Outside Directors, Member of the Board and Outside Audit & Supervisory Board Members that limit the amount of liability to the total of each item in Article 425, Paragraph 1 of the Companies Act should the Company be harmed as a result of the execution of duties by Outside Directors, Member of the Board or Outside Audit & Supervisory Board Members, as long as they perform their duties unknowingly and without gross negligence .
9. Audit & Supervisory Board Members Koichiro Anzai had been Outside Directors, Member of the Board of Nippon Denko Co., Ltd. until March 30th, 2021.

## (2) Compensation for Directors, Members of the Board and Audit & Supervisory Board Members

### 1) Total Amount of Compensation by Category of Officer, by Type of Compensation, and Number of Eligible Officers

(Japanese Yen in millions, except number of officers )

Category of officers	Total amount of Compensation	Total amount of compensation by type			Number of officers eligible
		Base compensations	Performance-based compensations, etc.	Non-monetary compensations, etc.	
Directors, Member of the Board (of which, outside directors)	130 (12)	118 (12)	12 (-)	- (-)	8 (3)
Audit & Supervisory Board Members (of which, outside members)	22 (6)	22 (6)	0 (-)	- (-)	2 (1)
TOTAL (of which, outside officers)	153 (18)	140 (18)	12 (-)	- (-)	10 (4)

### 2) Company Performance-based Compensations

Company performance-based compensations are determined by taking into account the performance and dividend levels of the previous fiscal year and the company performance and dividend trends of the current fiscal year. The Company has chosen this index in order to share values with its shareholders.

The level of company performance in the previous and current financial year is shown in section “(4) Business Results and Asset Trends” on page 13. The annual dividend for the previous financial year was ¥5 per share, and the Company has decided to declare no dividends for the current financial year.

### 3) Matters relating to the Resolution at the Annual General Meeting on the Compensation for Directors, Member of the Board, and Audit & Supervisory Board Members

At the 18<sup>th</sup> Annual General Meeting held on 19 June 2015, it was resolved that the compensation for directors shall be no more than ¥24 million per month (including ¥2 million for outside directors). The number of Board Directors at the close of this Annual General Meeting is seven (7) (including two (2) outside Directors).

At the 9<sup>th</sup> Annual General Meeting held on 23 June 2006, it was resolved that the compensation

for Audit & Supervisory Board Members should not exceed ¥5 million per month. The number of Audit & Supervisory Board Members at the close of this Annual General Meeting is four (4) (including two (2) outside Auditors).

#### **4) Matters relating to the Policy for determining the Details of Compensation for Directors, Member of the Board**

The Board of Directors of the Company, at its board meeting held on 25 February 2021, resolved on a policy for determining the details of compensation for individual Directors.

In addition, the Board of Directors has confirmed that the method of determining the compensation and the content of the compensation determined are consistent with the decision-making policy resolved by the Board of Directors with regard to the compensation for individual Directors during the year under review, and that decisions on compensation for directors are made after explaining the policy on compensation for directors to independent outside directors and obtaining their opinions prior to the Board of Directors' decision. The Company has confirmed that the policy is in line with its decision-making policy.

The details of the policy for determining the content of compensation for individual Directors are as follows:

##### **a) Basic Policy on Compensation for Individual Directors (hereinafter referred to as "Compensation")**

- i. Compensation for Executive Directors is determined by taking into account a comprehensive range of factors, including Company performance trends and dividend trends for each financial year
- ii. Compensation for outside Directors is fixed
- iii. Directors' Compensation is paid on a monthly basis

##### **b) Policy on determining the Method of Calculating the Compensation for Executive Directors**

###### **i. Composition of Compensation**

Compensation for Directors consists of a fixed base compensation and Company's performance-based compensation linked to the performance achievements.

###### **ii. Method of calculating Compensation**

###### **1)Basic Compensation (base compensation)**

The base compensation is fixed by position, taking into account the level commensurate with the required ability and responsibility

###### **2)Company's Performance-based Compensation**

Performance-based compensation is determined by taking into account the Company's performance and dividend levels of the previous fiscal year as well as the Company's performance and dividend trends of the current fiscal year. In particular, ranges are set according to the level of Company's performance and dividends, and the amount to be paid for each position is determined for each range. The ratio of performance-based compensation against total amount of compensation ranges from 0% to 50%, depending on the level of Company's performance and dividends.

**c) Matters relating to the Determination of the details of Compensation for Directors, Member of the Board**

The policy on Compensation for Directors, Member of the Board (the ratio of performance compensation, the concept of performance indicators, etc.) is explained to independent outside Directors and their opinions are obtained prior to the resolution by the Board of Directors. The total amount is resolved at a meeting of the Board of Directors, taking into account the calculation method, the Company performance, the ratio of performance-based compensations, and trends in compensation for other executives and employees.

Based on the resolution of the Board of Directors that the amount of individual Compensation to be paid to each Director, Member of the Board shall be determined by the Representative Director, Member of the Board & President, the President determines the amount of Compensation for each individual Director, Member of the Board, in accordance with the calculation method set out in (b) above.

**5) Matters relating to the delegation for determining the amount of Compensation paid to individual Directors, Member of the Board**

The Board of Directors has delegated the decision on the amount of Compensation for each individual Director, Member of the Board, to the Representative Director, Member of the Board & President Yasuaki Sugizaki.

This is because the President is the most suitable person to determine the amount of individual Compensation for each Director, Member of the Board, taking into account the performance evaluation of each Director as well as the overall trend in Company's performance and dividend levels.

The Board of Directors has set out the following terms in its policy for determining Compensation for Board Directors to ensure that such powers are properly exercised.

- i. Prior to the Board's decision, the policy on Compensation for Directors, Member of the Board, shall be explained to the independent outside Directors and their opinions shall be obtained before any decision is made

- ii. The President, shall determine the amount of individual Compensation for each Director, Member of the Board, in accordance with a predetermined calculation method

**6) Matters relating to the determination of the amount of individual Compensation for Audit & Supervisory Board Members**

The amount of individual Compensation for each Audit & Supervisory Board Member is determined by consultation with the auditors



### (3) Outside Officers (As of 31 March, 2021)

#### 1) Important Concurrent Positions held at Other Companies and Relationship between the Company and Other such Companies

Catagory	Name	Company where Concurrent Position is Held	Description of Concurrent Position	Relationship
Outside Director, Member of the Board	Nae Iijima	Dojima Law Office	Attorney-at-Law and Partner	There are no significant relationships between the Company and Dojima Law Office.
Outside Audit & Supervisory Board Member	Koichiro Anzai	NIPPON STEAL CORPORATION	General Manager of Group Companies Planning Division	There are relationships between the Company and NIPPON STEAL CORPORATION: the Company sells metal titanium, etc. to NIPPON STEAL CORPORATION.
Outside Audit & Supervisory Board Member	Ryosaku Kadowaki	Kobe Steel, Ltd.	Executive Officer	There are relationships between the Company and Kobe Steel, Ltd.: the Company sells metal titanium, etc. to Kobe Steel, Ltd..

(Notes) Audit & Supervisory Board Members Koichiro Anzai had been Outside Directors, Member of the Board of Nippon Denko Co., Ltd. until 30 March, 2021.

#### 2) Main Activities of Outside Officers

##### (i) Outside Officers' Attendance and Comments at Board of Directors Meetings and Audit & Supervisory Board Meetings

Classification	Name	Attendance and Comments
Outside Director, Member of the Board	Nae Iijima	Participated in 11 of the 12 Board of Directors meetings during the fiscal year under review and made comments as necessary primarily from the point of view for ensuring appropriate discussion of proposals based on expert legal knowledge cultivated through professional practice as an attorney-at-law.
Outside Director, Member of the Board	Shigehisa Yamaguchi	After election at the Annual General Meeting of Shareholders held in June 2020, participated in 9 of the 9 Board of Directors meetings during the fiscal year under review and made comments as necessary primarily from the point of view for ensuring appropriate discussion of proposals based on highly insight and abundant experience as company manager, and experience as an Audit & Supervisory Board Member.
Outside Audit & Supervisory Board Member	Koichiro Anzai	After election at the Annual General Meeting of Shareholders held in June 2020, participated in 9 of the 9 Board of Directors meetings and 9 of the 9 Audit & Supervisory Board meetings during the fiscal year under review, and adequately made comments primarily based on his knowledge of the Company's business and views as an Audit & Supervisory Board Member with views on overall corporate management.

Classification	Name	Attendance and Comments
Outside Audit & Supervisory Board Member	Ryosaku Kadowaki	After election at the Annual General Meeting of Shareholders held in June 2020, participated in 9 of the 9 Board of Directors meetings and 9 of the 9 Audit & Supervisory Board meetings during the fiscal year under review, and adequately made comments primarily based on his knowledge of the Company's business and views as an Audit & Supervisory Board Member with views on overall corporate management.
Outside Audit & Supervisory Board Member	Fumio Sugizaki	Participated in 12 of the 12 Board of Directors meetings and 13 of the 13 Audit & Supervisory Board meetings during the fiscal year under review and made comments as necessary primarily as an Audit & Supervisory Board Member with knowledge of finance and accounting.

**(ii) Activities regarding Expected Roles of Outside Director, Member of the Board**

Classification	Name	Activities regarding Expected Roles
Outside Director, Member of the Board	Nae Iijima	At the discussion about the Medium-term Management Plan and the Compliance and Risk Management Committee, made advise and suggestion, from the perspective of legal risk and compliance, based on legal knowledge and experience cultivated through professional practice as an attorney-at-law.
Outside Director, Member of the Board	Shigehisa Yamaguchi	At the discussion about the Medium-term Management Plan and the Compliance and Risk Management Committee, made advise and suggestion based on knowledge and experience cultivated through broad experience including company management.

## **5. Matters concerning Accounting Auditor**

### **(1) Name of Accounting Auditor**

Deloitte Touche Tohmatsu LLC

### **(2) Change of Accounting Auditor during the Fiscal Year under Review**

Not applicable

### **(3) Limited Liability agreement**

Not applicable

### **(4) Amount of Compensation for the Accounting Auditor relating to the Fiscal Year under Review**

- a) Amount of compensation relating to the services provided for under Article 2, paragraph 1 of the Certified Public Accountants Act: ¥33 million.
  
- b) Total amount of money and other property benefits that the Company and its subsidiaries should pay to the accounting auditor: ¥33 million.

#### **(Notes)**

- 1. The agreement concluded between the Company and the accounting auditor does not distinguish the amount of audit compensation for audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act, so the aforementioned amount of compensation, etc. states the total amount for these audits.
- 2. The Audit & Supervisory Board has consented to the amount of compensation, etc. for the accounting auditor after conducting the necessary investigation as to whether the details of the accounting auditor's audit plan, the execution of the accounting auditor's duties, and the grounds for calculating the estimated compensation are appropriate.

### **(5) Policy on Determining the Dismissal or Non-Reappointment of the Accounting Auditor**

In addition to the dismissal of the accounting auditor by the Audit & Supervisory Board provided for under Article 340, paragraph 1, each items of the Companies Act, the Audit & Supervisory Board will determine the content of a proposal for the dismissal or non-reappointment of the accounting auditor concerned that will be submitted by the Company to the Annual General Meeting of Shareholders in cases when it is deemed difficult for the accounting auditor to execute duties appropriately, such as the occurrence of events that impair the competency of the accounting auditor, or in cases when a change of accounting auditor is deemed to be appropriate.

## **6. Development of Systems to ensure the Appropriateness of Business Operations**

The Company has adopted the following resolution on the basic policy of the internal control system.

### **(1) Our Basic Approach to the Internal Control System**

The Board of Directors has adopted resolutions on systems to ensure that the execution of duties by the Company's Directors, Members of the Board, complies with laws and regulations and the Articles of Incorporation, and other systems stipulated by the Ministry of Justice as necessary to ensure the appropriateness of business operations of a stock company. The details of those resolutions are as follows

### **(2) Systems to ensure that the Execution of Duties by Directors, Members of the Board, complies with Laws and Regulations and the Articles of Incorporation**

The Company's Board of Directors is composed of Directors, Members of the Board, who are familiar with the Company's business and Outside Directors, Members of the Board, who have excellent insight into general management or legal expertise and have no vested interest in the Company, in order to maintain and improve management efficiency and strengthen the supervisory function. At the same time, we are working to maintain and strengthen the transparency and soundness of our management by enhancing our auditing functions, including those of our Outside Audit & Supervisory Board Members.

In line with this corporate structure, the Board of Directors has resolved on a Corporate Code of Conduct, which is a fundamental imperative in the conduct of the Company's business activities and stipulates that compliance with this Code is the responsibility of all directors, officers and employees.

The Compliance and Risk Management Committee has been established for the purpose of ensuring compliance with laws, regulations and social norms, as well as to take preventive measures against risks surrounding the company's business and to make prompt and appropriate decisions and responses when such risks arise. We have also set up internal and external Compliance Consultation and Reporting Desks to receive constructive suggestions and suggestions from employees (including directors, auditors and executive officers) on matters that could seriously affect the company's reputation for compliance.

We have also established a Compliance Manual, which briefly describes the basic rules that directors, auditors, executive officers and other employees should observe in the conduct of their corporate activities.

Under this structure, we are committed to encouraging compliance on a daily basis.

### **(3) System for ensuring the Appropriateness of Business Operations**

#### **1) System for the Storage and Management of Information relating to the Execution of Duties by Directors, Members of the Board**

Information concerning the execution of duties by Directors, Members of the Board, is recorded in the minutes of the Board of Directors meetings, approval documents and other documents. This information is stored and managed appropriately through the establishment of internal regulations, such as the Approval Documents Regulation, the Authority Standard Regulation, the Document Management Regulation and the Electronic Information Management Regulations.

#### **2) Rules and other Systems for Managing the Risk of Loss**

Each division of the Company identifies and grasps the risks associated with its business activities and makes regular efforts to minimise these risks. In addition, the Compliance and Risk Management Committee confirms the status of company-wide risks that could have a significant impact on management. We also have a system of contingency plans in place in the unlikely event of a risk occurring.

#### **3) System to ensure the Efficient Execution of Duties by Directors, Member of the Board**

The Company has introduced an executive officer system to separate the management decision-making and supervisory functions from the business execution functions, so that the Board of Directors can make decisions quickly and efficiently.

We have also established appropriate decision-making rules through the Division of Duties Regulation, the Authority Standard Regulation, and other internal regulations, and have put in place a system to ensure the proper and efficient execution of duties.

The Board of Directors makes decisions on important management matters after deliberation by the necessary members of the Management Committee and other committees as necessary.

#### **4) System to ensure that the Execution of Duties by Employees complies with Laws and Regulations and the Articles of Incorporation**

As described in (2) above, the Company has developed such a system by establishing the Corporate Code of Conduct and the Compliance and Risk Management Committee. In addition, the Company has established a compliance consultation and reporting system to prevent misconduct.

Also, Audit & Supervisory Board Members and the Internal Auditing Department regularly monitor and verify the legality and appropriateness of the execution of duties.

**5) System for ensuring the Appropriateness of Business Operations of the Corporate Group consisting of the Company and its Parent Company and Subsidiaries**

The Company has no parent company and is an equity method affiliate of Nippon Steel Corporation and Kobe Steel, Ltd. Ltd. The Company assumes responsibility for its own management and manages its business independently.

The Company does not have a corporate group corresponding to a subsidiary.

**6) Matters relating to Employees who are requested by Audit & Supervisory Board Members to assist them in their Duties**

In accordance with the Audit & Supervisory Board Members Audit Regulations, the Company shall, at the request of the Audit & Supervisory Board Members and after consultation between the two parties, appoint assistants to the Audit & Supervisory Board Members.

In the case of appointing assistants, the Company shall consider matters necessary to ensure the independence of such assistants, such as the authority of such assistants, the organization to which they belong, the right of Audit & Supervisory Board Members to direct and order such assistants, and the right of Audit & Supervisory Board Members to consent to the appointment of such assistants, and shall ensure the effectiveness of Audit and Supervisory Board Members' instructions to such assistants.

**7) Systems of Reporting to the Audit & Supervisory Board Members by Directors, Members of the Board and Employees and other Systems for Reporting to the Audit & Supervisory Board Members**

Audit & Supervisory Board Members attend the Board of Directors meetings, as well as any other meetings concerning important management matters, the Compliance and Risk Management Committee and other important meetings. They receive reports from directors, executive officers and other employees on the execution of their duties.

Directors, Members of the Board, Executive Officers and other employees are required to report promptly to Audit & Supervisory Board Members when they discover any facts that may cause significant damage to the Company.

In the event of a consultation or report through the compliance consultation and reporting system, the details of the consultation or report shall be promptly reported to the Audit & Supervisory Board Members.

The Employment Regulations prohibits any disadvantageous treatment of those who report, consult or inform as above.

**8) Other Systems to ensure that Audits by Audit & Supervisory Board Members are conducted effectively**

The Audit & Supervisory Board Members and the Representative Director, Member of the Board & President, regularly exchange opinions and communicate with each other regarding the management of the company.

Audit & Supervisory Board Members carry out regular audits in close cooperation with the Internal Auditing Department. Directors, Members of the Board, Executive Officers and the relevant Departments provide explanations of the status of business operations and management, as well as issues that need to be addressed. The results of these audits are reported to the Board of Directors.

In the event that the Audit & Supervisory Board Members conduct on-site investigations to ascertain the actual state of overall business operations, the relevant Directors, Members of the Board, Executive Officers and relevant Departments respond promptly and appropriately to ensure effective auditing.

In addition, when an Audit & Supervisory Board Member or the Audit & Supervisory Board makes a request for expenses required for the execution of an audit, the request shall be met unless the expenses are deemed not to be necessary for the execution of duties.

## **7. Overview of the Operation Status of the System to ensure the Appropriateness of Business Operations**

### **(1) Status of Initiatives regarding the Execution of Duties by Directors, Members of the Board**

Since the introduction of the executive officer system in June 2015, we have been working to optimize the number of Directors, Members of the Board, including increasing the number of independent Outside Directors. At the same time, we have been reviewing the matters to be resolved and reported at the Board of Directors' meetings as appropriate, in order to strengthen the functions of the Board of Directors by enhancing and accelerating decision-making and strengthening its supervisory function.

We have conducted a self-evaluation of the effectiveness of the Board of Directors by means of a questionnaire for all Directors, Members of the Board, and Audit & Supervisory Board Members, including outside officers, focusing on the operation and deliberations of the Board of Directors. The results show that appropriate measures are being taken to ensure sufficient deliberation at the Board of Directors' meetings, and that improvements have been made in the promotion of discussion and the provision of information. We have confirmed that the effectiveness of the Board of Directors is generally ensured.

### **(2) Efforts to ensure the Effectiveness of Audits by Audit & Supervisory Board Members**

The Audit & Supervisory Board of the Company discussed and decided on audit policies and plans, and exchanged opinions, deliberated and verified the legality and appropriateness of management. If necessary, we obtain reports from the accounting auditors and the Internal Auditing Department on matters that have come to our attention during the audit. In addition, in accordance with the audit policy and audit plan, we attended important internal meetings, such as the Board of Directors' meetings and the Management Committee meetings, either in person or online, and also inspected approval documents and contracts to monitor management and provide advice and recommendations on the status of Directors', Members' of the Board, performance of their duties and compliance with laws and regulations.

In addition, one assistant has been appointed in response to a request from Audit & Supervisory Board Members to provide assistance.

### **(3) Status of Compliance Initiatives**

The Company has established the Corporate Code of Conduct, which consists of compliance with laws and regulations and social norms. In this context, we have prepared a list of laws and regulations that are relevant to our business activities, and we monitor changes in laws and regulations and confirm the status of compliance.



In addition, we have established compliance consultation and reporting desks both internally and externally, with the aim of ensuring that our corporate activities comply with laws and regulations, conform to social norms, and improve the working environment.

The President himself makes a direct appeal to employees about the importance of compliance. The Company also publishes Compliance News from time to time, which explains in simple terms what we should do as members of society and what topics we should be aware of internally and externally, and distribute case studies of general compliance violations. The Company also continues to implement company-wide compliance awareness activities such as the display of posters and ongoing compliance training for all levels.

In addition, department compliance chiefs and section and group compliance leaders have been appointed, and, compliance training plans for each department have been formulated to promote activities to raise awareness according to the actual situation of workplaces. The results has been summarized at the end of this fiscal year and reflected to the training plans about next fiscal year.

In the fiscal year under review, we conducted a compliance awareness survey for all employees for the third time, and in addition to the level of improvement and penetration of awareness since the previous survey, we also evaluated items related to harassment, which has become a social issue in recent years, and used the results to further implement compliance management..

#### **(4) Status of Risk Management Initiatives**

The Company holds the Compliance and Risk Management Committee on a regular basis to make it a scheme for checking, focusing more on company-wide risks that may have a material impact on management, while continuing its efforts to minimise risks concerning the business activities of each department. In particular, in response to COVID-19 infection, we are working to thoroughly implement various infection prevention measures and prevent the spread of infection through the announcements by the Committee.

The Environment and Disaster Prevention Committee has also been working on risk assessment activities according to the business characteristics of the Company.

Furthermore, in order to ensure the continuity of our business in the event of a disaster, we have formulated a Business Continuity Plan Regulation, which includes an initial response in the event of an earthquake or tsunami, the establishment of a Disaster Response Headquarters, and action plans for each department. During the fiscal year under review, in addition to the review of the regulation and action plans, the content of the revised regulation was thoroughly communicated to all employees using a checklist.

About cyberattack, the Company has monitored the situation of unauthorised access and our system officers investigate and respond to suspicious e-mails from outside the company, and we have a system in place to detect and delete viruses from our personal computers.

## **8. Policy regarding the Exercise of the Right to determine Dividends from the Company Surplus**

The Company is committed to strengthening its management base in order to increase its corporate value in the future. At the same time, we regard the return of profits to shareholders as a top management priority.

In terms of the distribution of profits, we aim to maintain sufficient internal reserves to invest for sustainable growth and to stabilise and strengthen our financial position. Our policy is to maintain a dividend payout ratio of 25% to 35%, while giving due consideration to stability.

We regret to inform you that we have decided not to pay a year-end dividend for the current fiscal year in view of the business results for the current fiscal year. As no interim dividend was paid, the annual dividend will be ¥0.

We regret to inform you that we have decided to suspend both the interim and year-end dividend for the following fiscal year in view of the business outlook for the year.

**Balance Sheet**  
(As of 31 March, 2021)

*(Millions of Yen)*

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>40,976</b>	<b>Current liabilities</b>	<b>7,979</b>
Cash and deposits	6,523	Trade notes payable	5
Trade accounts receivable	7,377	Trade accounts payable	2,190
Finished products	15,723	Short-term bank loans	3,500
Work in process	1,987	Accounts payable - other	1,171
Raw materials and supplies	7,920	Income taxes payable	24
Advance payment	4		
Prepaid expenses	137	Accrued expenses	286
Accounts receivable-other	1,172	Deposits received	38
Other	132	Provision for bonuses	232
Allowance for doubtful receivables	(3)	Notes payable – facilities	2
<b>Fixed assets</b>	<b>36,767</b>	Accounts payable - facilities	496
<b>Property, plant and equipment</b>	<b>34,096</b>	Other	30
Buildings	9,560	<b>Long term liabilities</b>	<b>40,056</b>
Structures	221	Long-term debt	36,500
Machinery and equipment	8,629	Liability for retirement benefits	1,973
Vehicles	26	Asset retirement obligations	1,465
Tools, furniture and fixtures	183	Other	117
Land	14,823		
Construction in progress	651	<b>Total liabilities</b>	<b>48,035</b>
<b>Intangible assets</b>	<b>532</b>	<b>(Equity)</b>	
Software	497	<b>Shareholders' equity</b>	<b>29,614</b>
Other	35	<b>Common stock</b>	<b>8,739</b>
<b>Investments and other assets</b>	<b>2,138</b>	<b>Capital surplus</b>	<b>8,943</b>
Investment securities	164	Additional paid-in capital	8,943
Shares of subsidiaries and associates	46	<b>Retained earnings</b>	<b>11,941</b>
Long-term prepaid expenses	95	Legal reserve	38
Prepaid pension cost	917	Unappropriated	11,903
Deferred tax assets	821	Retained earnings brought forward	11,903
Other	93	<b>Treasury stock</b>	(10)
		<b>Valuation and translation adjustments</b>	<b>93</b>
		<b>Unrealized gain on available-for-sale securities</b>	<b>93</b>
		<b>Total equity</b>	<b>29,708</b>
<b>Total assets</b>	<b>77,743</b>	<b>Total liabilities and equity</b>	<b>77,743</b>

(Note) Figures are rounded down to the nearest million Yen.

# Statement of Operations

Fiscal Year ending 31 March, 2021

*(Millions of Yen)*

Description	Amount	
<b>Net sales</b>		<b>17,053</b>
<b>Cost of sales</b>		<b>16,339</b>
<b>Gross profit</b>		<b>714</b>
<b>Selling, general and administrative expenses</b>		<b>4,139</b>
<b>Operating profit</b>		<b>3,425</b>
<b>Non-operating profit</b>		
Interest and dividend income	9	
Foreign exchange profit – net	547	
Gain on sale of disused goods	226	
Insurance income	2	
Subsidy income	23	
Subsidy for employment adjustment income	68	
Reversal of allowance for business withdrawal loss	124	
Other	63	1,065
<b>Non-operating expenses</b>		
Interest expense	117	
Depreciation of inactive non-current assets	50	
Extra retirement expense	95	
Syndicated loans commission	174	
Other	46	483
<b>Ordinary Profit</b>		<b>2,843</b>
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	120	120
Loss before income taxes		2,963
Income taxes-current	11	
Income taxes-deferred	2,108	2,119
<b>Net income</b>		<b>5,083</b>

(Note) Figures are rounded down to the nearest million Yen.

# Statement of Changes in Shareholders' Equity

Fiscal Year ending 31 March, 2021

(Millions of Yen)

	Shareholders' equity					Total Shareholders' Equity
	Capital	Capital Surplus	Retained Earnings		Treasury Shares	
		Capital Reserves	Legal Retained Reserves	Other Retained Earnings		
<b>Balance as of 31 March, 2020</b>	<b>8,739</b>	<b>8,943</b>	<b>38</b>	<b>17,069</b>	<b>(10)</b>	<b>34,780</b>
<b>Cumulative Effect of a Change in Accounting Policy</b>				101		101
<b>Beginning Balances of the Fiscal Year under Review</b>	8,739	8,943	38	17,171	(10)	34,882
<b>Changes of Items during the Period</b>						
Cash Dividends (*)				(183)		(183)
Profit (Loss)				(5,083)		(5,083)
Changes in Items other than Shareholders' Equity						
<b>Total Changes during the Period</b>	-	-	-	(5,267)	(0)	(5,267)
<b>Balance at the end of the Fiscal Year under Review</b>	<b>8,739</b>	<b>8,943</b>	<b>38</b>	<b>11,903</b>	<b>(10)</b>	<b>29,614</b>

	Valuation and Translation Adjustments		Total Net Assets
	Unrealized Gains on Securities	Total Valuation and Translation Adjustments	
<b>Balance as of April 1, 2020</b>	<b>39</b>	<b>39</b>	<b>34,820</b>
<b>Cumulative Effect of a Change in Accounting Policy</b>			101
<b>Beginning Balances of the Fiscal Year under Review</b>	39	39	34,921
<b>Changes of Items during the Period</b>			
Cash Dividends (*)			(183)
Profit (Loss)			(5,083)
Changes in Items other than Shareholders' Equity	54	54	54
<b>Total Changes during the Period</b>	<b>54</b>	<b>54</b>	<b>(5,213)</b>
<b>Balance at the end of the Fiscal Year under Review</b>	<b>93</b>	<b>93</b>	<b>29,708</b>

(\*) The dividend from retained earnings (- ¥183 million) was resolved at the Board of Directors' meeting held on 28 May 2020.

# Individual Note Sheets

## Significant Accounting Policies

### (1) Basis and Method for Valuation of Assets

Basis and method for evaluation of securities

Other available-for-sale securities

Securities with market prices

Stated at market value as of the balance sheet date (Net unrealized gains or losses are comprehensively included in equity, and the cost of securities sold is determined by the moving-average method.)

Securities without market prices

Stated at cost determined by the moving-average method.

Derivatives transactions

Fair value method.

Basis and method of evaluation of inventories

Cost accounting method based on the periodic average method (the method of reducing book value when the contribution of inventories to profitability declines).

### (2) Depreciation Methods for Fixed Assets

Property, plant and equipment (excluding leased assets): Straight-line method

The useful lives of major fixed assets are as follows.

Buildings (including facilities attached to buildings) : 3-50 years.

Machinery and equipment: 5-14 years.

Intangible assets (excluding leased assets): Straight-line method.

Software products used by the Company are amortised over a projected usage periods that are of 5 years.

Leased assets:

Finance leases that transfer ownership of the leased assets

By the same method as the owned fixed assets.

Finance leases that do not transfer ownership of the leased assets

By the straight-line method over the lease term with no residual value.

Long-term prepaid expenses: Straight-line method.

### (3) Accounting Standards for Allowances and Provisions

#### **Allowances for Doubtful Accounts Receivables:**

In order to prepare for losses due to bad debts, general receivables are evaluated based on the historical bad debt ratio. For specific receivables, such as doubtful accounts receivable, an estimated uncollectible amount is recorded after considering the possibility of collection for each individual account.

#### **Provisions for Bonuses:**

In order to provide for bonuses to be paid to employees, the amount to be paid in the current fiscal year is estimated and recorded.

#### **Business Withdrawal Loss Reserves:**

The provision for future expenditure on withdrawal from business is based on an estimate at the end of the current financial year.

#### **Allowances for Retirement Benefits:**

To provide for the payment of retirement benefits to employees, an allowance is provided based on the projected retirement benefit obligation and pension assets at the end of the current fiscal year.

##### **(i) Method of Attributing Estimated Retirement Benefits to the Period**

The method of attributing the estimated amount of retirement benefits to the period up to the end of the current fiscal year is based on the benefit calculation method.

##### **(ii) Accounting Treatment of Actuarial Gains/Losses and Past Service Costs**

Actuarial gains and losses are amortised from the fiscal year following the year in which they are incurred, and past service costs are amortised from the fiscal year in which they are incurred using the straight-line method over a certain number of years (13 years) within the average remaining service period of employees.

### (4) Hedge Accounting Methods

#### **Methods**

In principle, deferred hedge accounting is applied.

Forward exchange contracts that qualify for the allocation method are accounted for using the allocation method. In addition, interest rate and currency swaps that meet the



requirements for integral treatment (allocation method, special treatment) are treated as one component.

### **Hedging Instruments and Hedged Items**

**Hedging Instruments:** Foreign exchange forwards, interest rate swaps, and interest rate and currency swaps

**Hedged Items:** Foreign exchange transactions, interest payments, and loans denominated in foreign currencies

### **Hedging Policy**

Forward foreign exchange contracts are used to hedge risks arising from fluctuations in foreign exchange rates.

It is the Company's policy to limit transactions to those based on actual demand and not to engage in speculative transactions for the purpose of earning trading profits. The Company also uses interest rate swaps to hedge against the risk of interest rate fluctuations on borrowings and interest rate and currency swaps to hedge against the risk of interest rate and currency fluctuations. Hedged items are identified on an individual contract basis.

### **Method of Assessing Hedge Effectiveness**

The effectiveness of interest rate swaps is assessed on a semi-annual basis by comparing the cumulative amount of interest rate fluctuations on interest payments on borrowings with the cumulative amount of interest rate fluctuations on interest rate swaps. However, the assessment of the effectiveness of forward exchange contracts and interest rate and currency swaps that are accounted for using the allocation method and the special treatment is omitted.

## **(5) Accounting for Consumption Tax**

The tax exclusion method is used.

## **Notes on Changes in Accounting Policies**

### **<Change in Accounting Method for Product Packaging Costs>**

From the current fiscal year, in order to carry out more precise cost accounting in response to changes in the business environment, a review of the cost centre has been carried out and the classification of manufacturing costs has been revised. In line with this, we have reviewed the relationship between sales and costs incurred in order to present our operating results more appropriately. As a result, a portion of product packaging costs, which were previously recorded as selling, general and administrative expenses, are now treated as cost of sales.

The effect of this change in accounting policy is reflected in the net asset value at the beginning of the current financial year.

As a result, retained earnings, other retained earnings and retained earnings brought forward in the statement of changes in equity increased by ¥101 million.

## **Notes on Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates**

### **<Change in Depreciation Method for Tangible Fixed assets>**

The Company had previously used the declining-balance method\*1 for the depreciation of its tangible fixed assets. However, from the current financial year, the Company has changed the depreciation method for all tangible fixed assets to the straight-line method.

This change is the result of a review of the depreciation method for property, plant and equipment\*2 following the commencement of operations of a new plant for spherical titanium alloy powder (alloy TILOP) in the High-Performance Materials business at the Amagasaki Plant from the current financial year. As the new plant is expected to operate stably over the long term, it was decided that the straight-line method of depreciation would better reflect the actual state of the business.

As a result of this change, operating loss, ordinary loss and loss before income taxes for the fiscal year under review are ¥25 million lower than they would have been under the previous method.

\*1. Had used declining-balance method, however, buildings and titanium production facilities (machinery and equipment) acquired on or after 1 April 1998 are depreciated using the straight-line method.

\*2. Excludes buildings acquired on or after 1 April 1999.

## **Notes on Changes in Presentation**

### **<Application of “the Accounting Standard for Disclosures about Accounting Estimates”>**

“The Accounting Standard for Disclosures about Accounting Estimates\*1 has been applied to the financial statements for the current financial year, and notes on significant accounting estimates are included in the financial statements.

\*1. Accounting Standards Board of Japan Statement No. 31, 31 March 2020

## Notes to Significant Accounting Estimates

### <Impairment of Fixed Assets>

#### (1) Amounts recorded in the Financial Statements for the Current Fiscal Year

##### Tangible Fixed Assets

Buildings	9,560 million yen
Structures	221 million yen
Machinery and equipments	8,629 million yen
Vehicles and transportation equipments	26 million yen
Tools, furniture and fixtures	183 million yen
Land	14,823 million yen
Construction in progress	651 million yen

##### Intangible Fixed Assets

Softwares	497 million yen
Other assets	35 million yen

#### (2) Other Information that Contributes to the Financial Statement User's Understanding of the Nature of the Accounting Estimate

##### (i) Key Assumptions used in the Estimates

Among the assumptions used in the accounting estimates, those that were deemed important were the future business plan, which forms the basis of estimating future cash flows for the consideration of whether an impairment loss should be recognised, and the expected changes in sales and raw material costs used in the formulation of the business plan.

In addition, the titanium business of the Company is expected to be affected by a decrease in demand for aircraft and a slowdown in production activities in the supply chain due to the curtailment of economic activities caused by COVID-19 infection, which has been continuing since the previous fiscal year. For the time being, the titanium business is expected to be affected by the decline in demand for titanium sponge. In light of the information available, the Company has made accounting estimates based on the assumption that the impact will continue for the next two fiscal years.

##### (ii) Process of Reviewing the Impairment of Fixed Assets

As mentioned in (i) above, we anticipate an inevitable decline in demand for titanium sponge due to the spread of COVID-19 infection. As a result, an operating loss of ¥3,425 million (operating loss of ¥3,923 million for the titanium business) was recorded for the current financial year.

In view of these circumstances, we recognised that there were indications of impairment of fixed assets throughout the company, including those used in our titanium business. The Company considered whether an impairment loss should be recognised, using various

assumptions, including the key assumption in (i) above.

As a result of the review, it was decided that no impairment loss was required as the total undiscounted future cash flows expected to be generated from the fixed assets used in the titanium business over the remaining useful life of the assets exceeded their carrying amount.

**(iii) The Effect of the Accounting Estimate on the Following Financial Year**

Such accounting estimates and the assumptions used in making them are based on information available at the end of the current financial year, and if it becomes necessary to review the above (i), there may be an impairment loss on fixed assets.

**<Realizability of Deferred Tax Assets>**

**(1) Amount recorded in the Financial Statements for the Current Financial Year**

Deferred Tax Assets	¥821 million
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**(2) Other Information that Contributes to the Financial Statement User's Understanding of the Nature of the Accounting Estimate**

**(i) Key Assumptions used in the Estimates**

Among the assumptions used in the accounting estimates, those that were deemed important were the future business plan, which forms the basis of the estimate of future taxable income for the consideration of the realizability of deferred tax assets, and the expected changes in sales and raw material costs used in the formulation of the business plan.

In addition, the titanium business of the Company is expected to be affected by a decrease in demand for aircraft and a slowdown in production activities in the supply chain due to the curtailment of economic activities caused by COVID-19 infection, which has been continuing since the previous fiscal year. For the time being, the titanium business is expected to be affected by the decline in demand for titanium sponge. In light of the information available, the Company has made accounting estimates based on the assumption that the impact will continue for the next two fiscal years

**(ii) Process of Reviewing the Realizability of Deferred Tax Assets**

As a result of examining the realizability of deferred tax assets related to temporary differences and tax loss carry-forwards based on various assumptions, including the significant assumptions mentioned in (i) above, and the "Guidelines for the Realizability of Deferred Tax Assets", it was determined that some deferred tax assets are not realizable, thus the deferred tax assets were reversed by ¥2,108 million in the current fiscal year.

The status of deferred tax assets and tax loss carry-forwards at the end of the current financial year is shown in the "Individual Note Sheets: Notes on Tax Effect Accounting".

**(iii) The Effect of the Accounting Estimate on the Following Financial Year**

Such accounting estimates and the assumptions used in making them are based on information available at the end of the current financial year, and if it becomes necessary to review the above (i), there may be a reversal of deferred tax assets.

**Notes to Changes in Accounting Estimates**

**<Changes in Accounting for Retirement Benefits relating to Actuarial Gains/Losses and the Amortisation Period of Past Service Costs>**

In the past, actuarial gains/ losses and past service costs were amortised over a period of 15 years, which is within the average remaining service period of employees. However, as the average remaining service period has fallen below this, the number of years required for amortising actuarial differences and past service costs has been changed to 13 years from the current fiscal year.

As a result of this change, operating loss, ordinary loss and loss before income taxes for the fiscal year under review have increased by 69 million yen compared with those based on the previous method.

## Notes to the Balance Sheet

### (1) Accumulated Depreciation of Property, Plant and Equipment

¥71,991 million

### (2) Contingent Liabilities

Joint Liabilities on Guarantees for Employees' Housing Loans      ¥88 million

### (3) Liquidation of Trade Receivables

Balance of Trade Receivables Transferred      ¥1,926 million

### (4) Debt Assumption Agreement

Accounts payable      ¥1,058 million  
(Note)

(Note) The amount shows the balance of accounts payable for which the due date has been extended under a debt assumption agreement.

### (5) Commitment Line Agreement

In light of the spread of COVID-19 infection, the Company has entered into a commitment line agreement for the purpose of securing a flexible and stable means of financing.

Unexercised Balance      ¥5,100 million

### (6) Notes on Financial Covenants

The Company has entered into loan agreements with financial covenants (syndicated loan) in order to raise funds. The commitment line agreement mentioned in (5) also contains the following financial covenants, with which the borrower is required to comply.

#### **Syndicated Loan Agreement dated 28 November, 2017, with Sumitomo Mitsui Banking Corporation as managing bank**

##### **(Financial Covenants)**

- 1) The Company shall maintain the amount of net assets stated in the balance sheet at the end of each fiscal year at ¥25.9 billion or more, or 75% or more of the amount of net assets shown in the balance sheet at the end of the most recent fiscal year, whichever is higher.
- 2) The amount of cash flow from operating activities shown in the statement of cash flows in the report at the end of each fiscal year must not be in the red for two consecutive fiscal years.

**Syndicated Loan Agreement dated 26 March, 2021, with Sumitomo Mitsui Banking Corporation as managing bank**

**(Financial Covenants)**

- 1) The amount of net assets shall be the amount equivalent to 75% of the total amount of net assets stated in the non-consolidated balance sheet at the end of the fiscal year ending 31 March, 2021, or the amount equivalent to 75% of the total amount of net assets stated in the non-consolidated balance sheet at the end of the most recent fiscal year, whichever is higher.
- 2) The Company shall not post a deficit in cash flow from operating activities for two consecutive fiscal years, as stated in the non-consolidated statement of cash flows in the report at the end of the fiscal year ending 31 March, 2021 and each fiscal year thereafter.
- 3) The amount of segment profit of the Titanium business stated in the report at the end of March 2022 shall be equal to or greater than the amount of segment profit of the Titanium business stated in the report at the end of March 2021.
- 4) No operating loss shall be recorded in the non-consolidated profit and loss account in the report at the end of the fiscal year ending 31 March, 2023 and at the end of each fiscal year thereafter.

**Commitment line agreement dated 26 March, 2021, with Sumitomo Mitsui Banking Corporation as managing bank**

**(Financial covenant)**

- 1) The amount of net assets shall be the amount equivalent to 75% of the total amount of net assets stated in the non-consolidated balance sheet at the end of the fiscal year ending 31 March, 2021, or the amount equivalent to 75% of the total amount of net assets stated in the non-consolidated balance sheet at the end of the most recent fiscal year, whichever is higher.
- 2) The Company shall not post a deficit in cash flow from operating activities for two consecutive fiscal years, as stated in the non-consolidated statement of cash flows in the report at the end of the fiscal year ending 31 March, 2021 and each fiscal year thereafter.
- 3) The amount of segment profit of the Titanium business stated in the report at the end of March 2022 shall be equal to or greater than the amount of segment profit of the Titanium business stated in the report at the end of March 2021.
- 4) No operating loss shall be recorded in the non-consolidated profit and loss account in the report at the end of the fiscal year ending 31 March, 2023 and at the end of each fiscal year thereafter.

## Notes to the Statement of Operations

### (1) Transactions with Affiliated Companies

Sales to Affiliated Companies: ¥397 million

### (2) Write-down of Inventories included in Cost of Sales due to Reduced Profitability:

¥771 million

## Notes to the Statement of Changes in Equity

### (1) Number of Shares Issued

Type of Shares	Beginning of the Fiscal Year under Review	Increase	Decrease	End of the Fiscal Year under Review
Common Shares	36,800,000 shares	–	–	36,800,000 shares

### (2) Treasury Shares

Type of Shares	Beginning of the Fiscal Year under Review	Increase	Decrease	End of the Fiscal Year under Review
Common Shares	1,336 shares	–	–	1,336 shares

### (3) Dividends

#### 1) Amount of Dividends Paid

Resolution	Type of Shares	Source of Dividends	Total Amount of Dividends (millions of Yen)	Dividend per Share (Yen)	Record Date	Effective Date
Board of Directors Meeting Meeting 28 May 2020	Common shares	Retained earnings	183	5.00	31 March 2020	11 June, 2020

#### 2) Dividends for which the Record Date falls in the current financial year but the Effective Date falls after the current financial year

Not applicable.



## Notes to Tax-Effect Accounting

### Principal Components of Deferred Tax Assets and Deferred Tax Liabilities

(Millions of Yen)

<b>Deferred tax assets</b>	
Provision for bonuses	71
Enterprise tax	4
Loss on valuation of inventories	344
Liability for retirement benefits	603
Business withdrawal loss reserves	21
Depreciation	230
Asset retirement obligations	448
Impairment loss	1,081
Carry forward deficit	3,163
Other	113
<hr/> Subtotal deferred tax assets	<hr/> 6,080
Valuation allowance	(4,787)
<hr/> Total deferred tax assets	<hr/> <hr/> 1,292
<b>Deferred tax liabilities</b>	
Property, plant and equipment (Asset retirement obligations)	149
Prepaid pension cost	280
Unrealized gain on available-for-sale securities	41
<hr/> Total deferred tax liabilities	<hr/> 471
<hr/> Net of deferred tax assets	<hr/> <hr/> 821

## Notes on Financial Instruments

### (1) Status of Financial Instruments

The Company limits the management of funds to short-term deposits, etc. and raises funds by borrowing from banks and other financial institutions. Customer credit risk in relation to accounts receivable is mitigated in accordance with credit management rules. Investment securities are mainly equities, and the market value of listed equities is recognised on a quarterly basis. Borrowings are used for working capital (mainly short-term) and capital investment (long-term). Some of these loans have floating interest rates and are therefore exposed to the risk of interest rate fluctuations.

It is the Company's policy to use derivative financial instruments as the need arises, including forward exchange contracts to hedge against the risk of exchange rate fluctuations on accounts receivable denominated in foreign currencies, interest rate swaps to hedge against the risk of fluctuations in interest payments on long-term loans payable, and interest rate and currency swaps to hedge against the risk of exchange rate fluctuations on loans payable denominated in foreign currencies and against the risk of fluctuations in interest payments.

Derivative transactions are carried out in accordance with internal management regulations, within the scope of actual demand and not for speculative purposes.

## (2) Fair Values of Financial Instruments

Balance sheet amounts (B/S amounts), fair values and their differences at 31 March 2021 (the balance sheet date for the current financial year) are as follows.

(Millions of Yen)			
Items	B/S Amounts (*)	Fair values (*)	Difference
1) Cash and deposits	6,523	6,523	–
2) Trade accounts receivable	7,377	7,377	–
3) Accounts due	1,172	1,172	–
4) Investment securities and shares of subsidiaries and affiliates			
Available-for-sale securities	164	164	–
Shares of subsidiaries and affiliates	46	46	–
5) Trade accounts payable	(2,190)	(2,190)	–
6) Short-term borrowings	(1,500)	(1,500)	–
7) Accrued amount payable	(1,171)	(1,171)	–
8) Accounts payable - facilities	(496)	(496)	–
9) Long-term debt	(38,500)	(38,290)	- 209

(\*) Items recorded under liabilities are shown in parentheses.

### (Notes)

#### Calculation of the Fair value of Financial Instruments

##### 1) Cash and deposits

The fair value approximates the book value and is therefore the book value.

##### 2) Trade accounts receivable; 3) Accounts due

As these items are settled in a short period of time, their fair value is approximately equal to their book value, which is therefore stated at that book value.

##### 4) Investment securities and shares of subsidiaries and affiliates

The fair value of these shares is based on the price on the stock exchange.

##### 5) Trade accounts payable, 6) Short-term Borrowings, 7) Accrued amount payable, 8) Accounts payable - facilities

As these items are settled in a short period of time, their fair value is approximately equal to their book value, which

is therefore stated at that book value.

**9) Long-term debt**

The fair value is calculated based on the present value of the total amount of principal and interest discounted at the interest rate that would be applied if a similar loan were newly made.

## Notes on Transactions with related Parties

### Parent Company and Major Corporate Shareholders

Type	Principal Corporate Shareholders
Company name	NIPPON STEEL CORPORATION
Address	Chiyoda-ku, Tokyo
Capital (Millions of Yen)	419,524
Business description or occupations	Production and sales of steel and other metals
Ownership percentage of voting rights (%)	(held) Direct 19.4
Relationship	
Officers' posts concurrently held(Persons)	Concurrent appointment:1
Business relationship	Sales of the Company's titanium metal, etc.
Description of transactions	Sales of titanium metal, etc.
Transaction amount (Millions of Yen)	569
Account	Trade accounts receivable
Fiscal year-end balance (Millions of Yen)	306

### Terms and Conditions of Transaction and Policy for determining Terms and Conditions of Transactions

1. With regard to the sale of titanium metal and other products, prices and other terms and conditions are the same as for other parties not related to the Company.
2. Consumption tax is not included in the transaction amounts, but it is included in the closing balances.

### Notes to Per Share Information

- (1) Net assets per share: ¥807.32
- (2) Net profit (loss) per share: (¥138.15)